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Idaho's Health Care Costs & Options to Improve Health Care Access

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The Project

- Task 1: Public health care expenditures in Idaho
- Task 2: Private health care expenditures in Idaho
- Task 3: Insurance coverage in Idaho
- Task 4: Programs to address the uninsured in Idaho and other states
- **Task 5: Trends in and drivers of health care spending in Idaho**

TASK 5: Trends in Health Care Spending in Idaho

Overview of Presentation

- Overview of Idaho's health care expenditures and trends
- A discussion of cost drivers
- Preliminary analysis of the Idaho's state Catastrophic Health Care Cost Program.

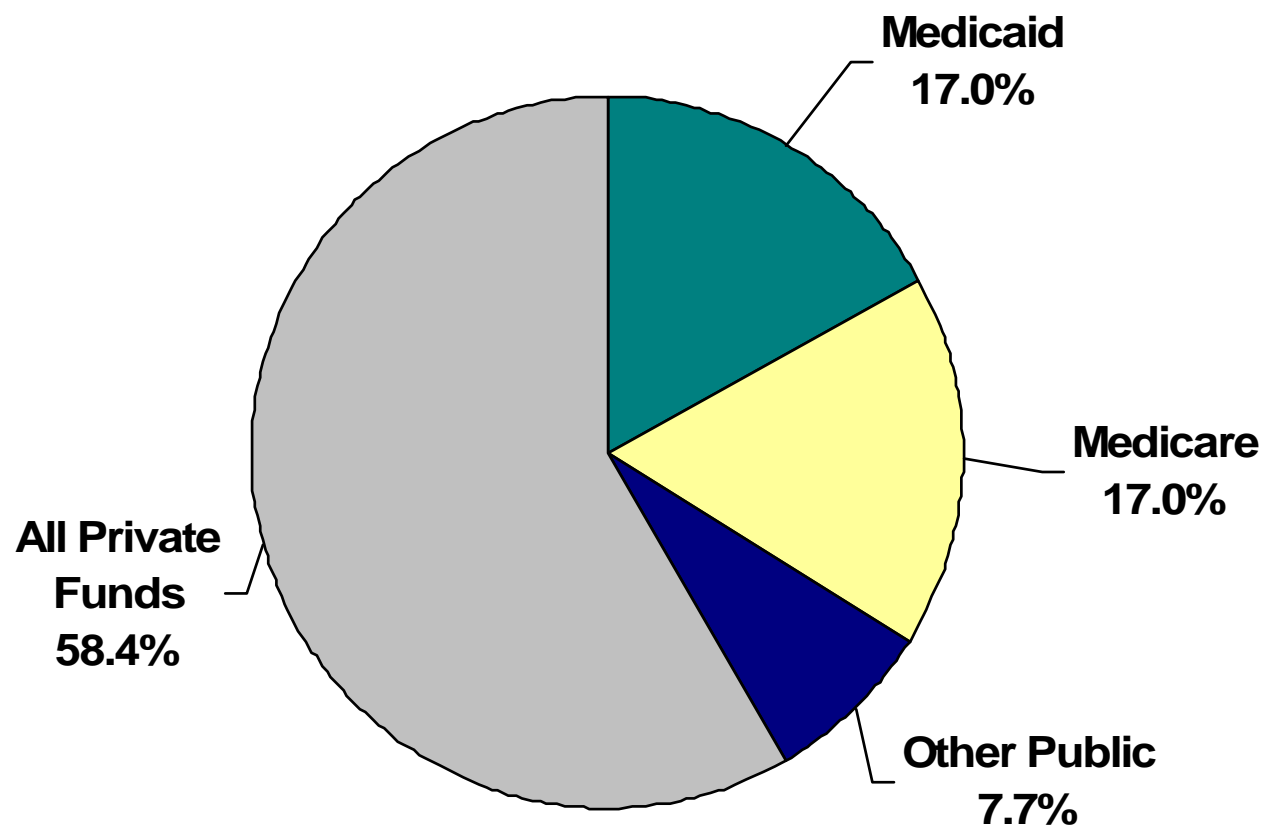
Establishment of baseline data to frame policy debate and answer specific questions that arise during continued discussions of Health reform options in the state of Idaho

Data Sources

- Centers for Medicare and Medicaid Services (CMS)
 - National and State Health Expenditure Accounts
- OPE Tasks 1 and 2 Reports
- Dartmouth Atlas of Health Care
- American Hospital Association
- Academic journals/industry reports on health care cost drivers

Idaho's Health Care Expenditures by Funding Source (2004)

Total Expenditures: \$5.6 billion



Overview of Health Care Spending

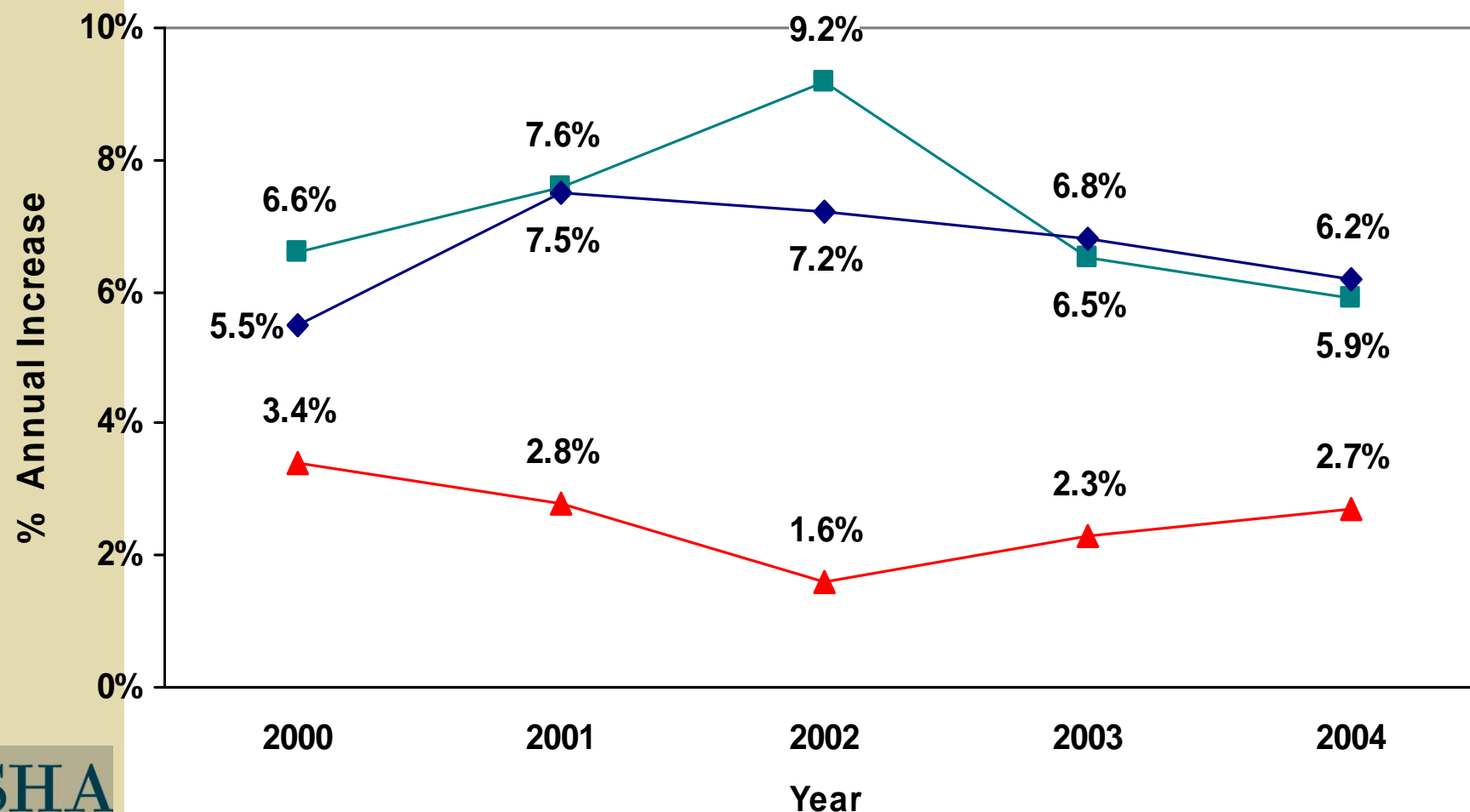
- *Idaho spends less on health care as measured by the percent of gross state product in 2004 compared to the U.S. average.*
 - 13% in Idaho compared to 16% for the U.S.
 - .
- *A greater share of health care spending in Idaho is from private funds compared to US average.*
 - 58.4% in Idaho compared to U.S. average of 54.9%
 - Includes health insurance payments to providers, individual and employer premiums and other individual spending for health care services.

Overview of Idaho's Personal Health Care Expenditures

| Idaho PHCE | 2000 (millions) | 2004 (millions) | Percent Change | Avg. Annual Growth |
|---------------------------|----------------------------|----------------------------|---------------------------|-----------------------------------|
| Overall PHCE | \$3,999 | \$5,648 | 41.2% | 9.0% |
| By Source of Funds | | | | |
| Public | \$1,568 | \$2,350 | 49.9% | 10.6% |
| Private | \$2,431 | \$3,298 | 35.7% | 7.9% |

Source: CMS National and State Health Expenditure Accounts

Percent Annual Increase in Personal Health Care Per Capita Expenditure 2000-2004



Idaho PHCE per Capita U.S. PHCE per Capita CPI-U

Overview of Trend: 2000-2004

- *The annual average per capita growth rate of 7.1% in health care spending was slightly higher than the national trend and lower than all six of its neighboring states.*
 - Average per capita growth rate of 6.0% for U.S. average
 - Range of 7.6% in MT to 8.2% in NV
- *Idaho's population has been growing faster than five of its six neighboring states and the US overall contributing to the overall growth rate of 9.0 percent.*
 - Idaho's population grew 7.3%
 - US population growth of 4.0%
 - Only Nevada had a significantly higher growth rate of 15.6%

Growth in Select Public Programs in Idaho

| Program Type | Year 1 | Year 2 | Per Capita Avg. Annual Growth |
|------------------------|-------------|-------------|-------------------------------|
| Medicare | 2002 | 2005 | |
| Total Costs (millions) | \$790 | \$1,039 | |
| Population | 172,787 | 188,414 | |
| Per Capita Cost | \$4,572 | \$5,515 | 6.5% |
| Medicaid/CHIP | 2002 | 2006 | |
| Total Costs (millions) | \$805 | \$1,157 | |
| Population | 152,499 | 185,918 | |
| Per Capita Cost | \$5,279 | \$6,221 | 4.2% |

Continued Increase in Public Program Enrollment 2000-2004

- *While the private sector accounts for more of the health spending in Idaho, spending on public programs (Medicare and Medicaid/SCHIP) continues to grow.*
 - Public program share in Idaho rose from 39.3% to 41.6%
 - Private share of Idaho's health care spending dropped from 61.1% to 58.4%
- *While spending on public programs is increasing, the cost increases are primarily due to enrollment not on per person spending.*
 - Example: The per-person increases in Medicaid spending were 4.2% compared to a per capita increases of 9.5% for state employee health benefits

Growth in Select Public Programs in Idaho

| Program Type | Year 1 | Year 2 | Per Capita Avg. Annual Growth |
|---------------------------------------|-------------|-------------|-------------------------------|
| State Employee Health Benefits | 2002 | 2006 | |
| Total Costs (millions) | \$101 | \$141 | |
| Population | 47,620 | 46,387 | |
| Per Capita Cost | \$2,117 | \$3,043 | 9.5% |
| Local Employee Health Benefits | 2004 | 2006 | |
| Medical Costs (millions) | \$134 | \$179 | |
| Population | 78,373 | 75,331 | |
| Per Capita Cost | \$1,716 | \$2,372 | 17.6% |

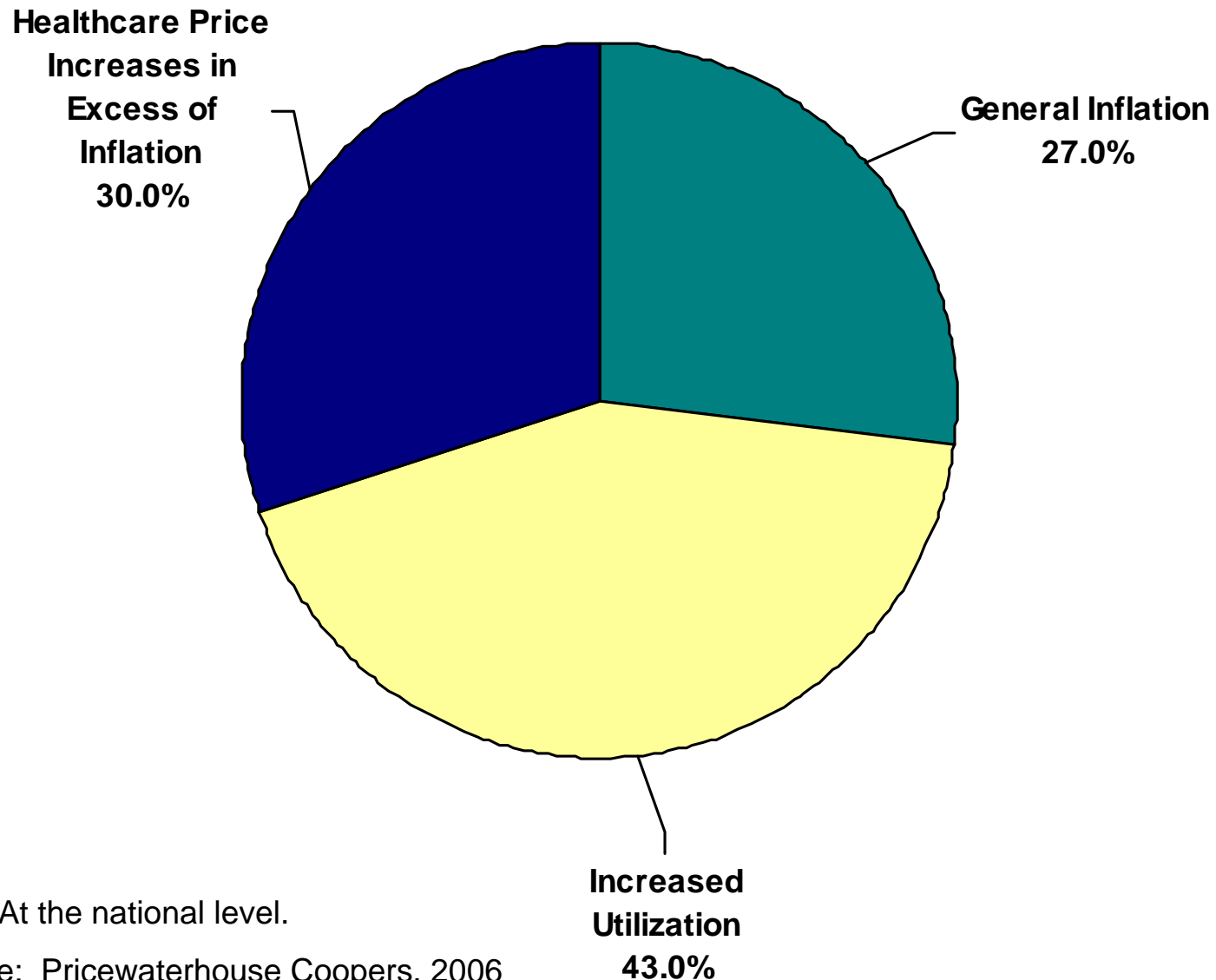
Growth in Idaho's Private Market

Total Premiums Collected

| Program Type | Year 1 | Year 2 | Per Capita Avg. Annual Growth |
|--|-------------|-------------|-------------------------------|
| Private Individual Health Plans | 2002 | 2006 | |
| Total Costs (millions) | \$109.9 | \$147.3 | |
| Population | 76,139 | 93,181 | |
| Per Capita Cost | \$1,443 | \$1,581 | 2.3% |
| Private Group Health Plans | 2002 | 2006 | |
| Total Costs (millions) | \$576.8 | \$921.0 | |
| Population | 296,220 | 346,226 | |
| Per Capita Cost | \$1,947 | \$2,660 | 8.1% |

Cost Drivers

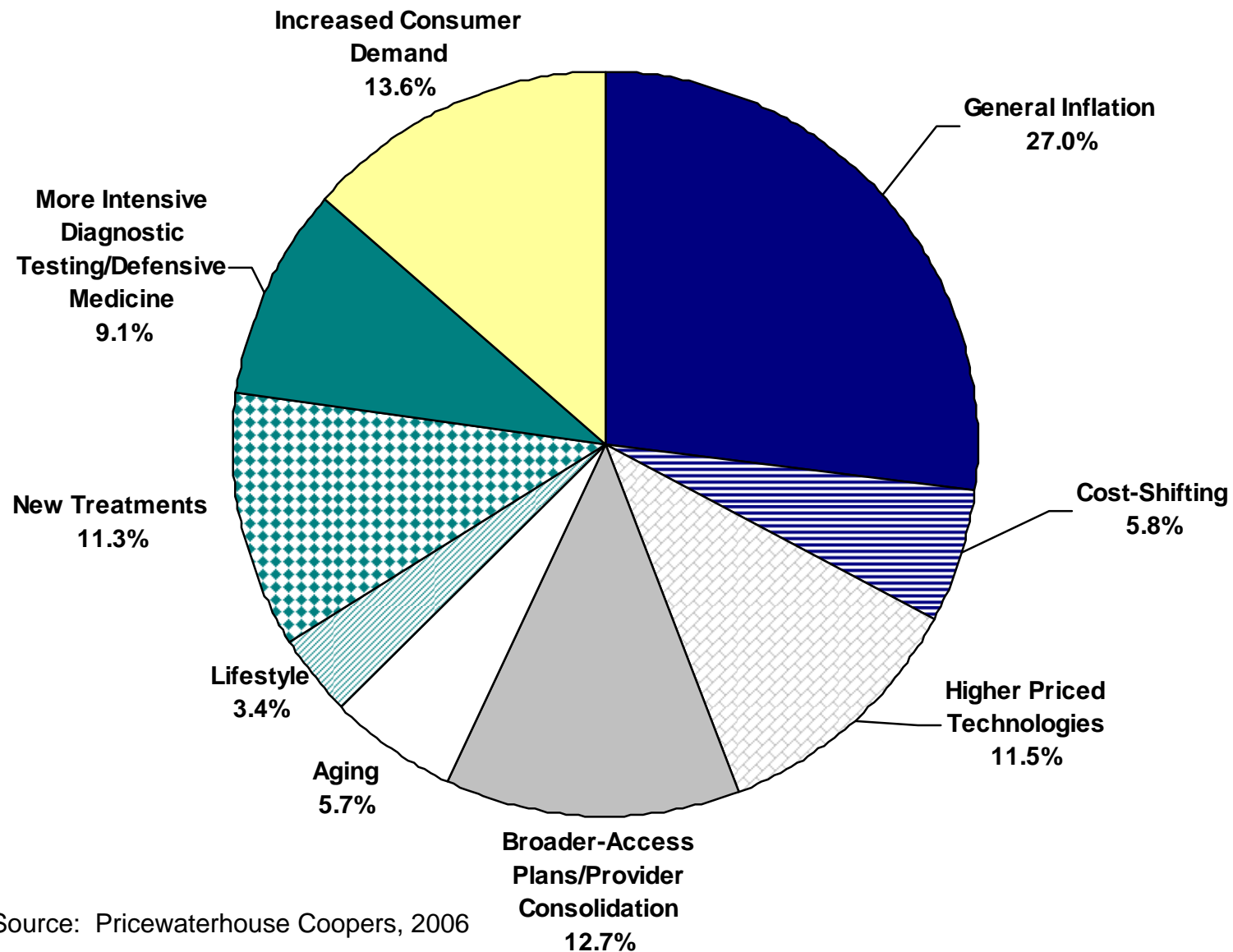
Factors Contributing to Increase in Insurance Premiums



Note: At the national level.

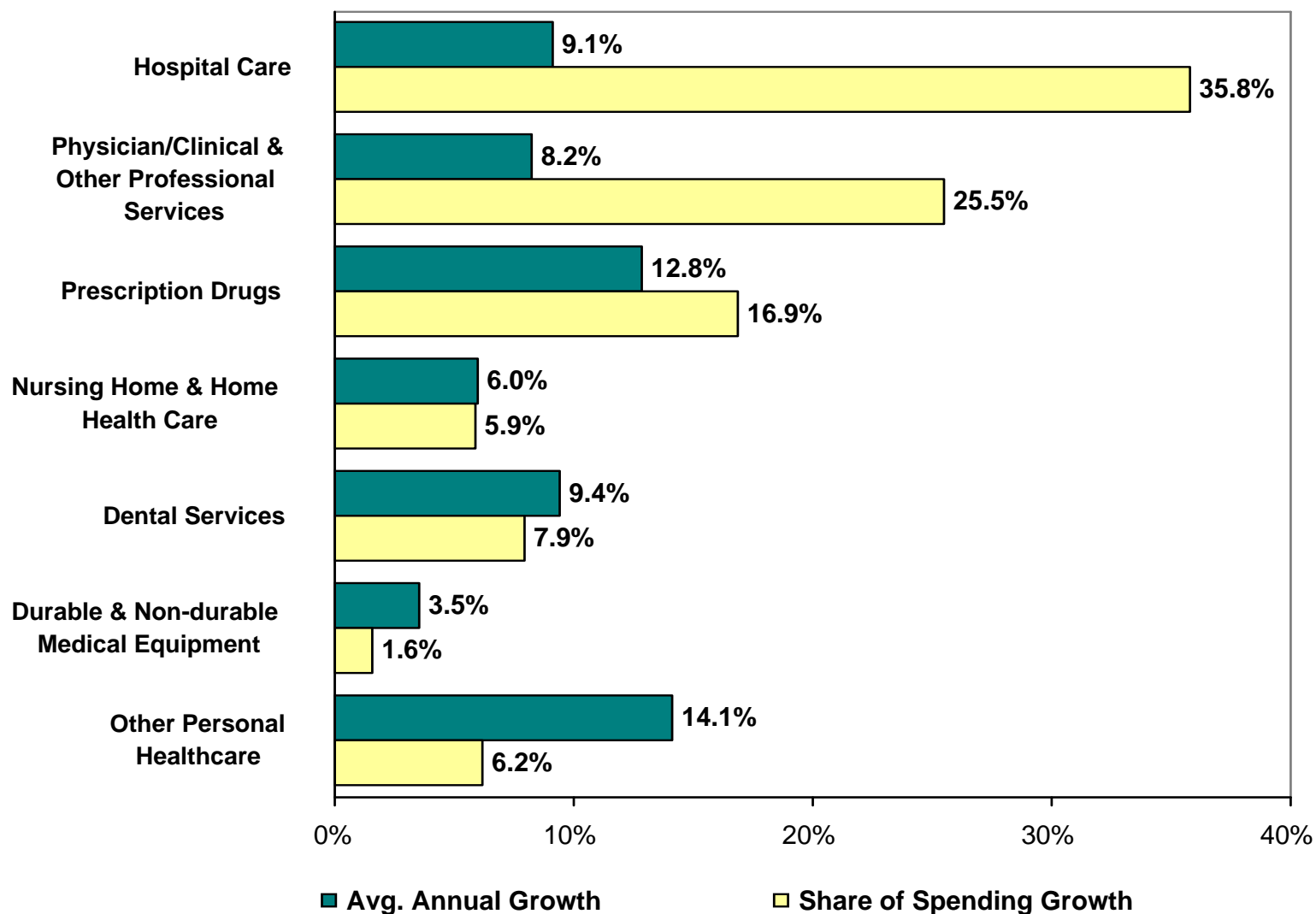
Source: Pricewaterhouse Coopers, 2006

Increase in Premium Costs by Component (*National*)



Source: Pricewaterhouse Coopers, 2006

Hospital and Physician Expenditures are Key Components of Spending-2000-2004



Hospital Trends 2001-2005

- ***Hospital volume has increased over time and more of the growth is concentrated in the Boise area.***
 - Boise-area hospitals accounted for 45.8 percent of discharge activity in 2005 and an average annual growth rate of 11.2%
 - Discharges for non-Boise area hospitals grew by 3%
- ***Population changes can account for some of the increases in hospital discharges.***
 - The Boise area experienced the greatest population growth, growing 12.3% (2000-2004)
 - Growth rate was 5.8% for all of Idaho outside of Boise
- ***Boise-area hospitals had higher average net revenue per Medicare discharge in 2005.***
 - \$13,917 per discharge compared to \$11,244 for non-Boise MSA hospitals.

Capital Expenditures

- *Increase in the utilization of hospital services and technology and other hospital capital expansions are also drivers of health care spending in Idaho.*
 - The state of Idaho does not collect data on or regulate capital spending in the health care arena
 - We found over \$350 million in hospital expansion projects are underway in Idaho from public documents
 - Correlation between capital expansions and health care spending

Other Hospital Trends

- ***Medicare pays the lowest rates when compared to private payers but represents almost half of all spending in non-Boise area hospitals.***
 - In the Boise area, the private sector is the primary payer for hospital services and Medicare is the primary payer for non-Boise area hospitals
 - Critical Access Hospital designation does help
- ***Idaho has Medicare discharge rates higher than the national average for back surgery and hip replacement.***
 - Certain areas of the state have higher rates than the state average

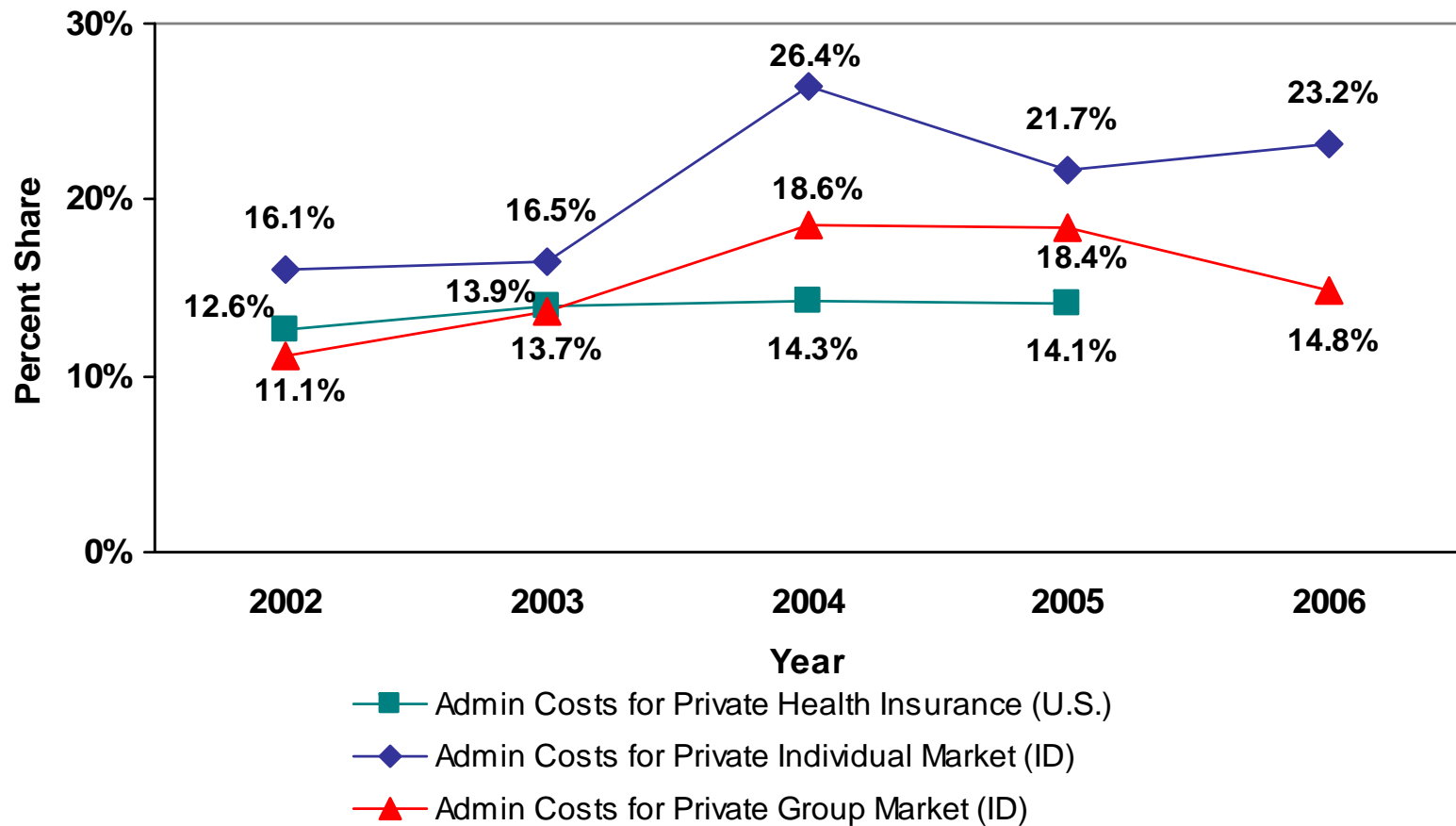
Physician and Prescription Drugs Trends 2000-2004

- ***Growth in Idaho's physician spending was consistent with the national average and lower compared to its six neighboring states.***
 - Average annual growth rate in Idaho of 8.2%
 - National average growth rate of 8.2 percent
 - Neighboring states- from a low of 9.1% in WY to a high of 13.5% in NV
- ***Prescription drugs have one of the fastest rates of growth in 12.8% but accounted for a relatively small share 16% of total spending.***
 - Idaho's per capita utilization of prescription drugs 8.6 prescriptions was lower than the national average of 10.6 prescription drugs per capita.

Consolidation of Payer and Provider Markets in Idaho

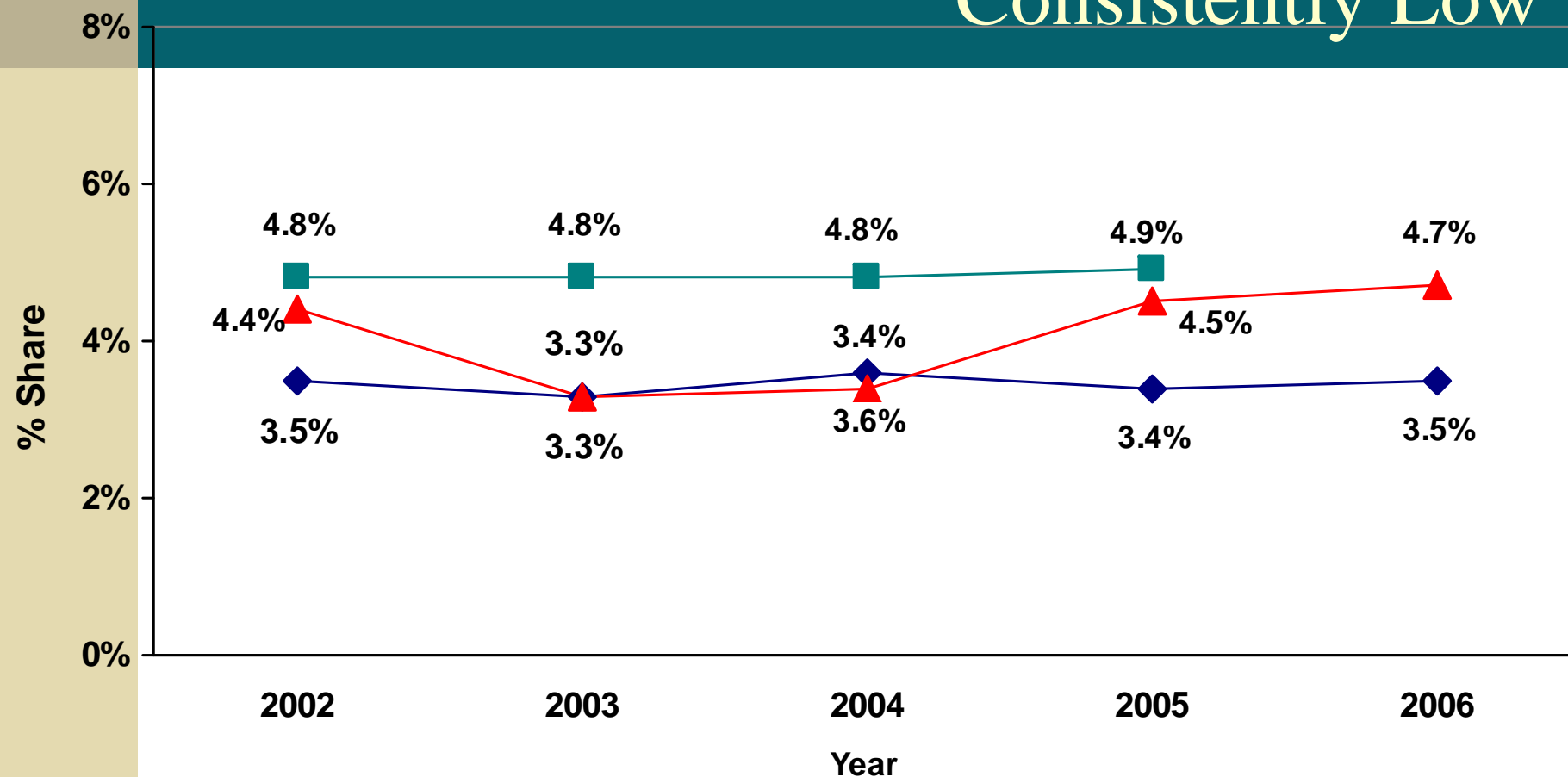
- *Idaho's private payer market is slightly more concentrated in the group market and somewhat similar in the individual markets compared to its neighboring states.*
- *Consolidation of private payer market limits competition to keep premium costs down.*
- *Consolidation of private payer market has led to increasing concerns about consolidation of provider market.*

Idaho's Private Admin Costs Relatively High



Source: Task 2 Report

Public Program Admin Costs Are Consistently Low



- Admin as Share of Total Public NHE (U.S.)
- ◆— Admin as Share of Total Medicaid/CHIP (ID)
- ▲— Admin as Share of Total State Employee Health Benefits (ID)

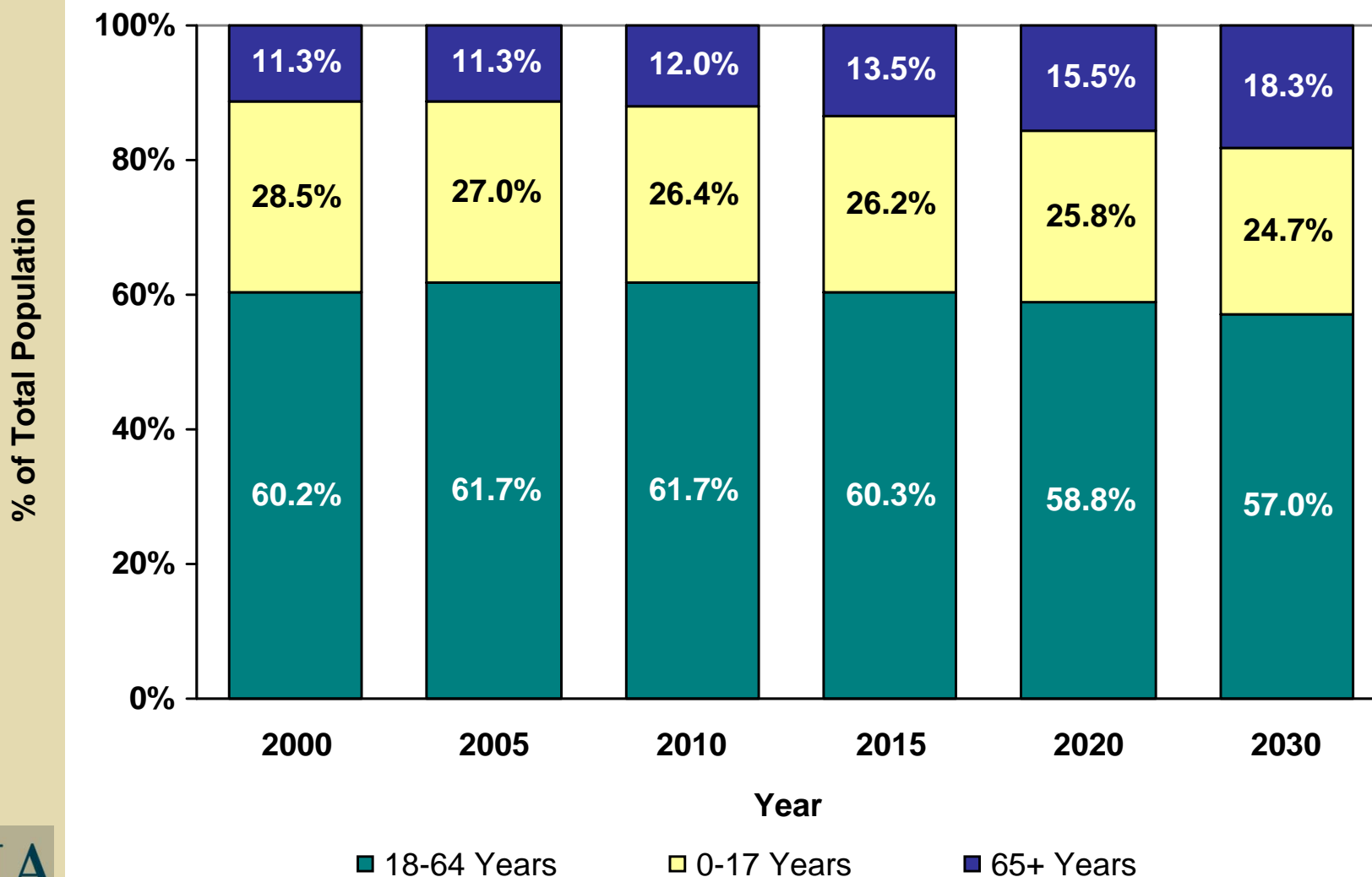
Administrative Costs

- *Net costs of Idaho individual and group markets are higher in Idaho than for the national overall.*
 - The difference between benefits and premiums and includes administrative costs, and in some cases, additions to reserves, rate credits and dividends, premium taxes, and profits or losses.
 - Idaho's administrative costs in the individual and group market were 21.7% and 18.4% in 2005, well above the national average of 14.1 percent.

Overview of Lifestyle Trends in Idaho

- ***Aging of the population will lead to increase health care spending in Idaho consistent with the US overall.***
 - Idaho's share of the population aged 65 years and older is projected to increase to 18.3 percent of the total projected population in 2030.
- ***Idaho low rates of adult smokers.***
 - Idaho ranked third in lowest state smoking rate
 - Health care costs for smokers are as much as 40% higher than for non-smokers
- ***Adult obesity rates continue to rise.***
 - Idaho has adult obesity prevalence of 24.1%
 - Increased costs of heart disease and diabetes related care accounting for as much as 27% of per-capita health spending

Growth in Idaho's Older Population 2000-2030



State Catastrophic Health Care Program

State Catastrophic Health Care Program

- Assistance for episodic, catastrophic care for indigent uninsured Idaho residents.
- Counties are responsible to provide financial assistance for medical expenses under \$10,000 - the state program pays for eligible medical expenses in excess of \$10,000.
 - FY2006 these programs *combined* spent **\$36.7 million** in medical and related administration expenses, serving 5,249 indigents across the state.
 - State Catastrophic program alone spent approximately **\$22.8 million** for indigent care services.

State Catastrophic Health Care Program

Diagnostic Categories

| Diagnostic Category | 2005 | | 2006 | |
|---------------------|-------------------|--------|-------------------|--------|
| | \$ (thousands) | % | \$ (thousands) | % |
| General | \$4,879 | 26.7% | \$6,072 | 26.7% |
| Cancer | \$4,098 | 22.4% | \$5,290 | 23.2% |
| Coronary | \$4,070 | 22.3% | \$3,957 | 17.4% |
| Accident-Vehicle | \$1,629 | 8.9% | \$2,023 | 8.9% |
| Chronic Disease | \$1,391 | 7.6% | \$2,167 | 9.5% |
| Accident-General | \$1,310 | 7.2% | \$2,214 | 9.7% |
| Mental Health | \$525 | 2.9% | \$875 | 3.8% |
| Birth | \$240 | 1.3% | \$132 | 0.6% |
| Infectious Disease | \$129 | 0.7% | \$40 | 0.2% |
| Total | \$18,272 | 100.0% | \$22,772 | 100.0% |

Ambulatory Care Sensitive Conditions (ACSCs)

“Conditions for which good outpatient care can potentially prevent the need for hospitalization, or for which early intervention can prevent complications or more severe disease.”

- We cross-walked the state Catastrophic Program diagnosis with the ACSCs
- An estimate of 20% of the State Catastrophic Program payments might have been avoided with better prevention and primary care – representing **\$4.6 million**
- Adding potential health and substance abuse- related hospitalizations could add another **\$865,000** in payments that could be potentially avoided

Conclusions (1)

- Idaho faces many of the same health reform issues as other states.
 - Rising health care costs
 - Growing number of uninsured adults
 - Aging population
 - Prevalence of obesity
- Baseline Idaho-specific data highlights key cost trends and drivers to help shape state policy.
 - Hospital spending/variation in procedures
 - Medicare as driver for non-Boise area hospitals
 - Consolidated payer market
 - Relatively high private administrative costs

Conclusion (2)

- There does appear to be potential for some savings in the Catastrophic Health Care Program
 - Possible primary/preventive care through a local pilot demonstration of the Catastrophic Health Care Program

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